CNBC

THE CONGRESS OF NATIONAL BLACK CHURCHES, INC.

National Office: 1225 Eye Street, N.W. • Suite 750 • Washington, D.C. 20005-3914 • (202) 371-1091 • FAX (202) 371-0908
Branch Office: 75 Piedmont Ave., N.E. • Suite 268 • Atlanta, GA 30303-2509 • (404) 582-0003 • FAX (404) 582-0053

CSO 10/16

December 15, 1997

Cynthia L. Johnson
Director
Cash Management Policy and Planning Division
Financial Management Service
U.S. Department of the Treasury
Room 420
401 14th Street SW
Washington, DC 20227

Dear Ms. Johnson:

The Congress of National Black Churches (CNBC) appreciates the opportunity to comment on the proposed rule 31CFR part 208 for EFT'99.

The Congress of National Black Churches is a national organization based in Washington, DC and represents eight (8) major religious denominations composed of 65,000 African-American churches and more than 19 million members

. *"In implementing the Act, Treasury seeks to bring* ***into the mainstream*** *of the financial system those millions of Americans who receive Federal payments and who currently do not use the financial system to receive federal funds, make payments, save, borrow, or invest".* CNBC recognizes that Direct Deposit has been available to recipients for more than twenty years. Yet there are some beneficiaries who view the banking system adversely and continue to choose to stay out of the traditional banking system. The final rule can be a proactive document to expand the opportunities for those who historically have not wished to use banking services.

EFT #107

Definitions

It is not clear in the proposed rule whether the term **"bank account"** means Direct Deposit or any general banking account such as checking or savings. Some waivers are based on the recipient having a "bank account". There are numerous persons who became eligible for federal payment prior to July 26, 1996 who have savings and/or checking accounts and receive a check and have not signed up for Direct Deposit. Under 208.4 (a) the recipients receive a *check* and not an electronic transfer. Consideration should be given to changing the language of 208.4 (a) and 208.8 (a) from ***"and who has an account with a financial institution"*** to ***"and who currently receives payment by check"***. In addition the terms "Banked" and "Unbanked" can be changed to ***non-check recipients*** and ***check recipients*** respectively.

In section 208.8 (a) the use of the term "and who has an account with a financial institution" will be confusing to the recipient . It is conceivable that those persons who currently <u>do not</u> receive a check will think that they must reaffirm their banking account information to the appropriate agency.

Federally Insured Institutions

CNBC is pleased that treasury has proposed using only federally insured financial institutions who are members of the ACH system to deliver federal payments. We see <u>no</u> role for check cashing outlets, liquor stores, finance companies or pawn shops in the distribution of EFT benefits. We recognize, however, that some recipients will elect to use these secondary sources for final receipt of their benefits. While they have the choice, <u>it should be an informed choice</u>. They should be made aware of the added cost associated with these money providers and have a clear understanding of the benefits, if any , associated with both a bank checking and *savings* account. Treasury is aware that financial institutions in the Chicago, Illinois market are already working out agreements with check cashers to deliver EFT benefits at check cashing outlets. This reeks of disparate treatment for these predominately low-income individuals. Financial institutions that own check cashing outlets and finance companies should be prohibited from <u>steering</u> customers to those subsidiaries. CNBC is not interested in expansion of alternative financial services such as check cashers, pawn shops and liquor stores.

Waivers
The CNBC applauds Treasury for its acceptance of self-certified waivers.

Under 208.4(a) any recipient who currently has a bank account with a financial institution and who became eligible after July 26, 1996 will not be eligible for a waiver from EFT. While the current evidence reviewed by Treasury indicates that receiving payment by EFT would not cause a hardship of any kind, the proposed rule does not take into consideration future hardships or changing circumstances of the individual and the consolidation of the banking industry. If the bank of the recipient covered under 208.4(a) closes, is merged out of existence, or increases the cost of its services, the individual should maintain the opportunity to claim a waiver based on the approved waiver categories for persons who became eligible before July 26, 1996. **All waivers should be available going forward and the individual should not have to be locked in at a time specific.**

Waiver categories
The proposed rule allows for waivers from EFT under three scenarios. *Physical disability*, *geographic hardship* and *financial hardship*. Once again these waivers are not made available to recipients who already have bank accounts and it is presumed that the circumstances of these persons will not change over time. **All waivers should be available going forward and the individual should not have to be locked in at a time specific.**

CNBC believes that there should be additional waivers based on *language barriers* and *mental disabilities* when the recipient has no other option but to access their funds through an ATM machine or some other electronic device as in Direct Deposit Too.

It is not reasonable that the *financial hardship* waiver will not be available to unbanked recipients who became eligible after July 26, 1996 until after the establishment of the ETA account provided for in 208.4 (b). This proposal disallows the unbanked beneficiaries to claim a *financial hardship* until the sooner of January 2, 2000 or the availability of the ETA account .

As stated above the terms and conditions of the current account may change as well as the possibility of mergers or closings resulting in financial hardship.

Conflict in Recipient responsibilities

Section 208.8 (b) states that "each individual who is required to receive payment by electronic funds transfer and who does not have an account with a financial institution *must certify in writing*, within the time frame specified by the agency making the payment, that he or she does not have an account with a financial institution. Such individual will be provided an account as indicated in 208.5". Section 208.4 *automatically waives these recipients* from receiving EFT until January 2, 2002 or the availability of the ETA account which ever comes first. It is not clear that in the face of this automatic waiver that the recipient must certify their non-banking status.

Under the proposed rule, there are no in-and-out provisions once an account has been secured.

This is one of the most critical aspects of the EFT'99 program. Currently individuals who choose an account before the ETA account is available are locked in to that account even if the ETA account is cost effective with all consumer protections in place. Even those who are currently banked should have an opportunity to switch to the ETA account if it is a superior account. Treasury has taken the position that the " free market" should determine the attributes of the new ETA account. If that is so, then the "free market " should determine which account both current and new recipients choose.

As Treasury is aware, there is an information campaign underway by check cashers and others encouraging recipients to sign up immediately to prevent loss of funds. The door must always be open for beneficiaries to switch from high cost accounts.

The ETA Account

Treasury has stated that they do not believe that financial institutions should be required to provide a basic account at a reasonable price as a result of the Act. The Act requires Treasury to do so. How can Treasury obtain such account services through as competitive process without some basic requirements included in the RFP. Treasury has a fiduciary responsibility to act *on behalf of the federal funds recipient.* After all who is paying for this cost savings to the Federal government? The recipients. At a minimum of \$5 dollars per month, the annual cost to 10 million people is \$600 million dollars to save the Federal government \$100 million.

The banking industry as we know it must change to accommodate a new and changing market. The are many benefits that accrue to the banking industry with the expansion of Electronic Funds transfer.

Ten million new customers
Increase in fees and service charges
Savings due to elimination of fraudulent or stolen checks.
Savings for banks who require fingerprinting for new customers.
Immediate access to an estimated $7 billion dollars monthly.

The ETA account should have these basic characteristics.

Both <u>*Savings*</u> and checking capabilities.
No monthly fee
Low minimum balance requirement
No cost POS. transactions
Limited ATM withdrawal fees.
ATM withdrawal minimums must be reduced to $5 dollar. *Some Seniors cannot afford to leave $10 OR $20 dollars in accounts only accessible by ATM.*
Additional deposit capabilities
Free account inquiries.
Have reasonable access through tellers, ATMs and POS. terminals.
No additional cost for use of "foreign" ATMs. (Almost 80% of all ATMs are double dippers)
Provide consumer protections such as Regulation E.
No cost for administrative errors made by the financial institution.
The name of the financial institution should be prominently displayed on any benefit card.
Allow for quick and easy replacement of PINS, damaged and lost cards.
The financial institution should be prohibited from selling customer information or list generated by EFT recipients.

The Congress of National Black Churches will be watching to see if the opportunities to save, invest and grow assets will be expanded to those would currently remain outside of the traditional banking system.

Sincerely,
Sullivan Robinson
Ms. Sullivan Robinson
Interim Executive Director.